

Message Text

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ACTION IO-14

INFO OCT-01 ISO-00 SCI-06 OIC-04 ABF-01 OMB-01 TRSE-00 L-03

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TO SECSTATE WASHDC 4588

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UNCLAS SECTION 1 OF 2 IAEA VIENNA 5491

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TAGS: AORG, AFIN, EAID, IAEA

SUBJ: IAEA BOARD OF GOVERNORS - FINANCING OF
TECHNICAL ASSISTANCE

REF: STATE 118150

1. SUMMARY: BOARD APPROVED DG'S DRAFT STUDY OF FINANCING OF
TECHNICAL ASSISTANCE, PREPARED IN RESPONSE TO BOARD REQUEST OF
A YEAR AGO, FOR TRANSMITTAL TO 18TH GC IN SEPTEMBER 1974.
CONSENSUS STATEMENT FINALLY PRODUCED THROUGH CONSULTATIONS
AMONG PERMANENT MISSIONS HAS CERTAIN HOLES LEFT IN IT, AND
MISSION REGARDS FUTURE OF THIS ISSUE WHEN IT REACHES GENERAL
CONFERENCE AS UNPREDICTABLE AT THIS TIME. END SUMMARY.

2. UNDER BOARD'S AGENDA ITEM 7(B), DEALING WITH DG'S STUDY OF
FINANCING OF TA, WITH SPECIAL REFERENCE TO FINANCING FROM
REGULAR BUDGET,(IAEA VIENNA A-241 AND PREVIOUS) CHAIRMAN
ANNOUNCED TYPOGRAPHICAL CORRECTION: TABLE FOLLOWING PARA 21
OF STUDY SHOULD PROPERLY READ "PERCENTAGE CHANGE IN THE PRO-
GRAM FINANCED FROM..." COMMENT: PHILIPPINES HAD DISCUSSED THIS
PARA AT GREAT LENGTH WITH SECRETARIAT, BUT THIS CORRECTION
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WAS ONLY THING THAT RESULTED AND PHILIPPINES ACCORDINGLY NOTIFIED

SECRETARIAT IN ADVANCE OF INTENTION TO BLAST PARA IN STATEMENT.
END COMMENT.

3. USSR OPENED DISCUSSION WITH LENGTHY DESCRIPTION OF ITS RECORD OF STRONG SUPPORT FOR AGENCY TA PROGRAM AND FOR ASSISTANCE TO LDC'S GENERALLY. ITS VOLUNTARY SUPPORT OF TA EXCEEDED ITS PERCENTAGE CONTRIBUTIONS TO REGULAR BUDGET, AND IT TOOK MOST SERIOUSLY OBLIGATIONS WHICH IT HAD TAKEN UPON ITSELF PURSUANT TO ARTICLE IV OF NPT. HOWEVER, ASSISTANCE MUST BE ON BASIS ACCEPTABLE ALSO TO DONOR, AND USSR PARTICIPATION EXCLUSIVELY A VOLUNTARY MATTER, AS WAS CASE IN ITS EXTENSIVE BILATERAL PROGRAMS; ANY ATTEMPT TO APPLY ANY TYPE OF COMPULSORY MEASURE WOULD ONLY LEAD TO NEGATIVE RESULTS. PROPOSAL FOR FINANCING FROM REGULAR BUDGET REPRESENTED UNJUSTIFIED DEVIATION FROM PRINCIPLES ON WHICH TA ACTIVITIES OF INTERNATIONAL ORGANIZATIONS BUILT; IT WOULD REQUIRE CHANGE IN AGENCY'S STATUTE, AND, RATHER THAN INCREASING VALUE OF ASSISTANCE PROVIDED, WOULD ACTUALLY HAVE REVERSE EFFECT. USSR WOULD TAKE POSITIVE ATTITUDE TOWARD RATIONAL INCREASES IN TARGET FOR VOLUNTARY CONTRIBUTIONS, BUT WITHOUT SUDDEN JUMPS. STUDY OF WAYS OF INCREASING PROVISION OF ASSISTANCE WAS QUITE ACCEPTABLE. OTHER FORMS OF ASSISTANCE, INCLUDING GIFTS IN KIND AND ACTIVITIES NOW FUNDED FROM THE REGULAR BUDGET, ALSO HAD GREAT VALUE; SOMETHING OVER 40 PERCENT OF REGULAR BUDGET WAS DEVOTED TO ACTIVITIES OF DIRECT INTEREST OR BENEFIT TO LDC'S, AND BALANCE WAS LARGELY FOR EXPENSES OF COMMON BENEFIT. FINALLY, AGENCY SHOULD SEEK CONSIDERABLE INCREASE OF FUNDS FROM UNDP ; \$3 MILLION RECEIVED DURING 1973 WAS PITTANCE COMPARED WITH UNDP RESOURCES, AND LDC'S THEMSELVES SHOULD ALLOCATE GREATER SHARE OF THEIR RESOURCES AVAILABLE FROM UNDP IPF'S TO PROJECTS EXECUTED BY AGENCY.

4. GHANA COMMENDED "WISDOM AND FAR-SIGHTEDNESS" OF INDONESIAN PROPOSALS ON THIS ISSUE, AND SAID EVENTS SINCE LAST GENERAL CONFERENCE HAD SHOWN THESE PROPOSALS TO BE MODEST, EVEN HESITANT. THERE WAS GENERAL DISSATISFACTION AND DISAPPOINTMENT WITH FINANCING OF TA; IN VIEW OF FACTORS MENTIONED IN PARAS 14-22 OF DG'S REPORT, HOWEVER, GHANA WAS PREPARED OFFER QUALIFIED SUPPORT OF PRESENT SYSTEM WHILE EFFORTS UNDERWAY TO IMPROVE IT.

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5. PHILIPPINES CONSIDERED ARGUMENT IN PARA 21 OF STUDY NOT RELEVANT, AS IT PRESUMED THAT PROGRAMS FINANCED FROM REGULAR BUDGET COULD ONLY INCREASE AT SAME RATE AS OVERALL REGULAR BUDGET, WHILE IN FACT, COSTS OF SAFEGUARDS PROGRAM HAD INCREASED BY OVER 500 PERCENT SINCE 1969. ALSO, ASSESSMENTS ON MEMBERS HAD INCREASED BY 250 PERCENT BETWEEN 1969 AND 1975, AND TARGET FOR VOLUNTARY CONTRIBUTIONS HAD NOT KEPT PACE. PARA 21 SHOULD BE DELETED AND PARA 22 REVISED, AND PHILIPPINES SUPPORTED

INDONESIAN PROPOSAL FOR FINANCING OF TA FROM REGULAR BUDGET IN EXPECTATION THAT THIS WOULD REVERSE THE UNDESIRABLE TREND, ILLUSTRATED IN ANNUAL REPORT, OF DECLINING NUMBER OF MEMBERS MAKING VOLUNTARY CONTRIBUTIONS.

6. JAPAN ACCEPTED VIEW, SUMMARIZED IN PARAS 23-25 OF REPORT, THAT IT NECESSARY TO SET HIGHER TARGETS FOR 1975 AND FUTURE YEARS TO TAKE ACCOUNT GROWTH OF TA PROGRAM AND EFFECTS OF INFLATION.

7. FRG SAID REPORT LED TO CONCLUSION THAT CONTINUATION OF PRESENT SYSTEM OF FINANCING FROM VOLUNTARY CONTRIBUTIONS WAS CLEARLY REASONABLE WAY OF DEALING WITH PROBLEM. FRG ALSO RECALLED REMARKS TO FEBRUARY BOARD THAT "ALL RELEVANT FACTORS" WHICH SHOULD BE CONSIDERED IN SETTING TARGET DID NOT MEAN ONLY THE FACTORS OF INFLATION AND INCREASING NUMBERS OF TECHNICALLY SOUND REQUESTS, BUT SHOULD ALSO INCLUDE MAGNITUDE OF OTHER RESOURCES OF DIRECT BENEFIT TO LDC'S, E.G., UNDP; THESE CONSIDERATIONS SHOULD ALSO BE PRESENTED TO GC.

8. INDONESIA WAS HAPPY THAT PARA 26 OF DG'S PRELIMINARY DRAFT OF STUDY, WHICH HAD CAUSED CONTENTION IN FEBRUARY, HAD BEEN DELETED FROM THIS FINAL VERSION. LAST SEPTEMBER'S GC RES HAD REQUIRED BOARD TO SUBMIT ITS VIEWS ON STUDY TO GC, AND HE HOPED THAT CONSULTATION HAS PRODUCED A COMPROMISE AGREEMENT ON THE EXPRESSION OF SUCH VIEWS.

9. UK RECALLED STATEMENT TO GC PT&B COMMITTEE LAST SEPTEMBER THAT, IF IT BECAME NECESSARY TO UTILIZE FUNDS PROVIDED FOR CONTINGENT FINANCING IN REGULAR BUDGET FOR 1974, UK WOULD MAKE PRO-RATA INCREASE IN ITS VOLUNTARY CONTRIBUTIONS TO GENERAL FUND. AS BOARD WAS NOW ASKED TO APPROVE SUCH USE OF CONTINGENT FINANCING APPROPRIATION, UK WISHED ANNOUNCE PRO-RATA INCREASE OF

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\$31,530 IN ITS VOLUNTARY CASH CONTRIBUTION FOR 1974. MORAL HE DREW FROM THIS WAS THAT UK HAD BEEN DISPOSED TO DO THIS, AND HAD DONE SO, UNDER EXISTING VOLUNTARY FINANCING SYSTEM. UNDER ANY SYSTEM OF FINANCING FROM REGULAR BUDGET, UK WOULD HAVE BEEN DISPOSED TO DO NO SUCH THING.

10. INDIA AGREED WITH INDONESIA'S PLEASURE AT DELETION OF PARA 26 OF PRELIMINARY DRAFT, AND RELATIVELY GENTLY ENDORSED PHILIPPINES POSITION THAT PARAS 21-22 OF DOCUMENT COULD STAND REVISION. BOARD SHOULD REGARD THIS AS TENTATIVE AND INTERIM REPORT, WHICH SHOULD BE SUBMITTED TO GC IN PRESENT FORM, AS REQUESTED. FOR THE PRESENT, INDIA SAW NO ALTERNATIVE BUT TO CONTINUE THE PRESENT SYSTEM OF VOLUNTARY FINANCING UNTIL A MORE SATISFACTORY SYSTEM

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ACTION IO-14

INFO OCT-01 ISO-00 SCI-06 OIC-04 ABF-01 OMB-01 TRSE-00 L-03

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COULD BE WORKED OUT, AND CALLED FOR ANNUAL BOARD REVIEW OF TARGET BEARING IN MIND COST OF ALL TECHNICALLY SOUND REQUESTS AND FACTORS SUCH AS INFLATION AND CURRENCY FLUCTUATION EFFECTS.

11. US DID NOT SPEAK UNDER THIS ITEM.

12. CONSULTATIONS AMONG PERMANENT MISSIONS HAD PRODUCED AGREED CONSENSUS STATEMENT GIVEN TO CHAIRMAN BEFORE MEETING, WHICH CHAIRMAN READ AND WHICH APPEARS IN BOARD RECORD AS FOLLOWS: BEGIN QTE: FIRSTLY, IN COMPLIANCE WITH PARAGRAPH 2 OF THE GENERAL CONFERENCE'S RESOLUTION GC(XVII)/RES/307, THE BOARD WOULD PRESENT TO THE CONFERENCE THE DIRECTOR GENERAL'S REPORT ON HIS STUDY OF THE FINANCING OF TECHNICAL ASSISTANCE; AND, SECONDLY, THE BOARD WOULD RECORD THAT, FOR THE PRESENT, IT TOOK THE VIEW THAT THE PRACTICE OF FINANCING THE PROVISION OF TECHNICAL ASSISTANCE THROUGH VOLUNTARY CONTRIBUTIONS TO THE GENERAL FUND WOULD HAVE TO BE CONTINUED UNTIL SOME ALTERNATIVE MODE OF FINANCING COULD BE DECIDED UPON. IN THE MEANTIME, THE BOARD, IS CONSIDERING ANNUALLY THE LEVEL OF THE TARGET FOR VOLUNTARY CONTRIBUTIONS FOR THE FOLLOWING YEAR, PROPOSED TO TAKE INTO ACCOUNT, AMONG OTHER THINGS, THE NEED TO MEET TECHNICALLY

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SOUND REQUESTS FOR ASSISTANCE RECEIVED FROM DEVELOPING MEMBER STATES AS WELL AS THE NEED TO COMPENSATE FOR SUCH FACTORS AS INFLATION AND FLUCTUATIONS IN EXCHANGE RATES. END QTE.

13 COMMENT: ALTHOUGH THERE WAS CONSIDERABLE ADVANCE CONSULTATION ON TEXT OF ABOVE CONSENSUS STATEMENT, NUMBER OF MISOFFS OF OTHER ADVANCED COUNTRIES, AND NUMBER OF OFFICIALS IN SECRETARIAT HAVE EXPRESSED CONTINUING PERSONAL MISGIVINGS ABOUT IT TO US. MISSION AGREES; THIS STATEMENT, WHILE PERHAPS BEST THAT COULD BE OBTAINED WITHOUT FLAT-OUT CONFRONTATION, HAS SOME POTENTIAL PROBLEMS IN IT AND CAN BE READ IN A MOST UNFAVORABLE FASHION. PROBLEM IS SOMEWHAT COMPLICATED BY FACT THAT LDC'S HAVE FORCED INCLUSION OF SEPARATE GC AGENDA ITEM, UNDER WHICH THIS STUDY AND BOARD VIEWS AS EXPRESSED IN CONSENSUS STATEMENT WILL BE CONSIDERED, THUS GIVING OPPORTUNITY FOR SOME WILD DISCUSSIONS IN COMMITTEE AND POSSIBLE INTRODUCTION OF RESOLUTIONS ON SUBJECT WHICH WE COULD NOT STAND.

14. KEY POINTS HERE APPEAR TO BE TWO. FIRST IS REAL INTENTION OF LDC'S ON BOARD ON THIS QUESTION, WHICH MISSION IS UNABLE TO ASSESS WITH ANY ACCURACY AS YET. ON ONE HAND, WE HAVE STATEMENT BY INDONESIAN AMBASSADOR TO US AND OTHERS THAT GC WOULD BE EXPECTED TO "TAKE NOTE" OF THIS STUDY; INDIAN AMBASSADOR HAS TAKEN SIMILAR POSITION. ON OTHER HAND, HOWEVER, THERE ARE FOLLOWING FACTS: INDONESIA WILL DEPART FROM BOARD AT END THIS GC, AND THIS ISSUE HAS BEEN THEIR AMBASSADOR'S PERSONAL BABY SINCE HE ARRIVED ON BOARD IN SEPTEMBER 1973. INDIAN AMBASSADOR WILL DEPART FROM VIENNA THIS JUNE, TO BE REPLACED BY ANOTHER INDIVIDUAL OF UNKNOWN PERSONALITY AND ATTITUDES ON THIS SUBJECT. WHILE BOTH HAVE SAID GC IS TO "TAKE NOTE" OF MATTER, MISSION BELIEVES THAT INSISTENCE OF LDC CAUCUS ON INCLUSION OF SEPARATE GC AGENDA ITEM ON THIS SUBJECT IS SOMEWHAT CONTRADICTORY TO THIS -- IF GC IS MERELY TO TAKE NOTE WITHOUT MAJOR DISCUSSION OR ACTION, ONE MAY QUESTION WHY DISCUSSION COULD NOT HAVE TAKEN PLACE UNDER ITEM DEALING WITH AGENCY'S ANNUAL REPORT, OR THAT FOR PROGRAM AND BUDGET. FINALLY, ONE MUST RECALL THAT THERE WAS DEAL WITH LDC'S LAST JUNE

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THAT SEPARATE ITEM ON THIS SUBJECT NOT RPT NOT BE INCLUDED ON PROVISIONAL GC AGENDA IN EXCHANGE FOR BOARD CONSENSUS

REQUESTING DG TO MAKE THIS STUDY AND TO BRING ITS EXISTENCE TO ATTENTION OF CG, BY MEANS OF REFERENCE IN HIS OPENING STATEMENT TO GC PLENARY. THIS DID NOT PREVENT LDC'S FROM INTRODUCING DRAFT WHICH BECAME GC(XVII)/RES/307. IN SHORT, WE DO NOT KNOW AT THIS POINT WHETHER TO BELIEVE INDONESIAN STATEMENT THAT GC WILL TAKE NOTE, OR LDC ACTIONS REGARDING AGENDDA, WHICH LEAVE WAY OPEN FOR SOMETHING ELSE AGAIN.

15. SECOND POINT IS SIMPLER. LDC'S ON BOARD DO NOT REALLY REPRESENT LDC'S PRESENT AT GC; LATTER GROUP INCLUDES CONSIDERABLE NUMBER OF REPS FROM CAPITALS OR ACCREDITED TO OTHER ORGANIZATIONS (E.G., IN GENEVA) WHICH DO NOT NORMALLY PARTICIPATE ACTIVELY IN AGENCY'S WORK EXCEPT THROUGH GC ATTENDANCE. LDC'S REPRESENTED AT GC ARE NORMALLY RATHER A HETEROGENEOUS MASS, AND DO NOT HAVE THE HIGHLY-ORGANIZED STRUCTURE OF NON-ALIGNED CONSULTATIVE GROUP OR GROUP OF 77 CHARACTERISTIC OF SOME OTHER ORGANIZATIONS. NUMBER OF INDIVIDUAL LDC REPS OTHERWISE OF LITTLE CONSEQUENCE IN AGENCY'S ACTIVITIES (E.E., JAMAICA, ZAIRE, ZAMBIA) SHOWED CONSIDERABLE PERSONAL DISPOSITION TO MAKE MISCHIEF AT LAST GC AND WILL PRESUMABLY BE PRESENT AGAIN THIS SEPTEMBER. FINALLY, EFFECTIVENESS OF LEADERSHIP OF LDC GROUP ON BOARD WILL BE DIMINISHED THIS SEPTEMBER BY DEPARTURE OF INDIAN AMBASSADOR, IMMINENT DEPARTURE OF INDONESIA FROM BOARD, AND FACT THAT BRAZILIAN RESREP WILL BE JOINING THE AGENCY ADMINISTRATION AS DDG FOR TA ON JANUARY 1. FOR THESE REASONS, IT IS QUITE POSSIBLE THAT WHATEVER THE PRESENT INTENTIONS OF THE LDC LEADERS ON BOARD ARE, THEY MAY SIMPLY NOT BE ABLE TO CONTROL THEIR SOLDIERS AT TIME OF GC.

16. FOR ABOVE REASONS, MISSION CONTINUES AT THIS TIME TO REGARD RESULTS OF GC CONSIDERATION THIS ISSUE IN SEPTEMBER AS UNPREDICTABLE AT BEST. PORTER

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